

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L AMMAN 001087

SIPDIS

E.O. 12958: DECL: 02/07/2015

TAGS: [ECON](#) [EFIN](#) [KTFN](#) [JO](#)

SUBJECT: AMMAN STOCK EXCHANGE REACTS TO RUMORS, THEN NEWS,
OF PROBLEMS AT ARAB BANK'S NEW YORK BRANCH

Classified By: Charge d'Affaires David Hale for reason 1.4 (b) and (d)

1. (C) SUMMARY: A week-long, 12% drop in Arab Bank,s share price appears to have paused, as the price rose 1.5% today on domestically-reported news that the bank is considering voluntary closure of its New York branch. While the recent slide in price was not due entirely to rumors of impending enforcement action against Arab Bank, and while the market appears to have taken the revelation of the news with some equanimity, the effects of the Arab Bank slide on the Amman Stock Exchange (ASE) as a whole provides a worrisome indicator of the fragility of the overheated market and of the ASE,s dependence on Arab Bank. Septel will outline broader ASE market dynamics and its outlook for next year. END SUMMARY.

2. (C) On January 31, Arab Bank,s share price stood at an all-time high of JD 298. By the close of the market on February 7, the stock traded at JD 261, descending on that day by 5%, the maximum one-day decline allowed at the ASE. During this period, the overall ASE index declined by 7%. GOJ interlocutors have spoken with increasing alarm about the effect that the bank,s decline may have upon the market as a whole.

3. (SBU) While the decrease has been dramatic, it has not been driven entirely by investors, fears of the implications of the Arab Bank,s possible NYC branch closure. Arab Bank shares have risen 86 percent, from JD 160, in just 3 1/2 months. While international news coverage of both civil litigation and possible U.S. regulatory action against the bank certainly played a role in the past week,s decline, so has profit-taking by investors. In addition, the January 31 announcement by Arab Bank of 20% dividends on each share of stock for 2004 (vs. 40% in 2003) disappointed investors, many of whom may have unloaded their shares for this reason.

4. (SBU) The 1.5% rise recorded by Arab Bank today follows the publication of understated articles appearing in the pro-government al-Ra,i and its English-language sister paper the Jordan Times, quoting an Arab Bank press release on the possibility that the Bank will voluntarily and gradually close its NYC branch because "the current operating environment in the U.S. is not in line with the financial institution's strategy." A substantial initial drop in the share price this morning followed the dumping of the stock by several large institutional investors, including the Jordan National Bank. Arab Bank's statement seemed to calm for now the market, which had previously been running on rumors.

5. (C) COMMENT: What the events of the past ten days do illustrate, however, is the extent to which the ASE follows the lead of the Arab Bank. This is unsurprising, given Arab Bank,s proportion of the market (currently slightly less than 33%). But given the possibility of additional bad news, omens for the market do not appear favorable. If a substantial blow to Arab Bank were to visibly shake it, the economic reverberations would be felt by most companies listed on the Amman exchange. END COMMENT.
HALE